



BEFORE THE ARIZONA CORPORATION

MIKE GLEASON
Chairman

WILLIAM A. MUNDELL
Commissioner

JEFF HATCH-MILLER
Commissioner

KRISTIN K. MAYES
Commissioner

GARY PIERCE
Commissioner

Arizona Corporation Commission

DOCKETED

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IN THE MATTER OF THE APPLICATION
OF TRICO ELECTRIC COOPERATIVE,
INC. FOR APPROVAL TO FREEZE
PARTICIPATION IN TRICO'S
RESIDENTIAL TIME OF USE TARIFF

DOCKET NO. E-01461A-08-0075

DECISION NO. 70212

ORDER

Open Meeting
March 11 and 12, 2008
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

1. Trico Electric Cooperative, Inc. ("Trico" or "Company") is certificated to provide electric service as a public company in the State of Arizona.

2. On February 6, 2008, Trico Electric Cooperative, Inc. ("Trico") filed an application for Commission approval to freeze new participation in its Residential Time-of-Use Schedule RS-1 TOU ("TOU") to allow time to investigate the feasibility of implementing a time-based advanced metering infrastructure and mitigate the negative revenue stream associated with Trico's TOU during the investigative period.

3. Trico is one of the fastest growing electric distribution cooperatives in the United States, and nearly 10 percent of its approximately 36,000 residential customers are served under its TOU tariff. Trico has offered a TOU tariff for more than 15 years, but recent data analyses indicate that the current tariff does not effectively encourage customers to use energy during off-

1 peak hours, which results in no energy conservation and greatly diminishes the tariff's
2 effectiveness as a demand-side management tool.

3 4. Trico's current TOU tariff was approved in its last rate case (Decision No. 68990)
4 in 2005, and the approved rates are based on a 2003 cost of service study. Trico exempted
5 weekends and holidays from on-peak because customers had expressed concerns that it would be
6 difficult to avoid on-peak hours during weekends and holidays.

7 5. Prior to 2003, Trico rarely experienced coincident peak demands on weekends and
8 holidays. In addition, Trico only had 215 TOU customers at the end of 2005. However in the
9 period 2006-2007, Trico experienced 6 monthly coincident peaks on a weekend or during a
10 holiday. During the same two year period, the number of TOU customers increased to nearly
11 1,200 and 3,000 in the years 2006 and 2007, respectively. At the end of January 2008, more than
12 3,000 residential customers were being served under the TOU tariff.

13 6. The importance of these latter developments is that Trico's supplier, Arizona
14 Electric Power Cooperative, Inc. ("AEPCO"), bills demand charges to its members, i.e., Trico,
15 based on its members' contributions to the AEPCO monthly coincident peak ("CP") demand. As
16 discussed above, the CP is occurring more often on weekends or during holidays compared to
17 years prior to 2006.

18 7. This billing scenario is particularly onerous for Trico. Non-TOU residential
19 customers are migrating to TOU thereby reducing Trico's revenues while increasing Trico's
20 demand charges from AEPCO. In addition, AEPCO's demand rate per KW has increased more
21 than 20 percent compared to its 2004 rates. The situation is further exacerbated by the fact that
22 migrating ratepayers realize an estimated \$40 per month savings without shifting any on-peak
23 energy to off-peak hours.

24 8. Trico's data indicate that residential TOU customers use slightly less on-peak
25 energy over a month compared to non-TOU residential customers, but TOU customers contribute
26 at least as much to Trico's monthly peak demand compared to the standard residential tariff
27 customer. Given the alignment of the current TOU and standard rates, TOU rates do not promote

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1 energy conservation nor do they provide optimal utilization of electric utility facilities and
2 resources.

3 9. Staff has recommended that the Commission approve Trico's request to freeze
4 adding new customers to be served under its residential TOU tariff.

5 10. Staff's recommendation is supported by the finding that recent TOU data analyses
6 indicate that existing tariff rates do not effectively encourage customers to use energy during off-
7 peak hours.

8 11. Trico's demand costs have increased with increases in the number of TOU
9 customers. One reason for this development is that residential TOU customers do not have to shift
10 usage to off-peak periods to save money.

11 12. Staff believes that the proposed participation freeze will allow Trico time to analyze
12 additional TOU data and design a new TOU tariff that provides a meaningful price signal to shift
13 on-peak energy and demand to off-peak hours.

14 13. Staff believes that the proposed freeze period will allow Trico time to complete an
15 updated cost of service study and submit a formal rate case application.

16 14. Staff supports the finding that Trico expects to file with the Commission TOU
17 tariffs for appropriate customer classes no later than January 30, 2009, and that the filing is
18 expected to be designed in accordance with the new Federal PURPA standard Time-Based
19 Metering and Communications.¹

20 15. Within ten days of a decision in this matter Staff has recommended that Trico be
21 required to file with Docket Control as a compliance item in this case, the residential TOU tariff
22 that is frozen.

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25 ¹ By Decision No. 69736, on July 30, 2007, the Arizona Corporation Commission ("Commission" or "ACC")
26 approved a modified version of the Public Utility Regulatory Policies Act of 1978 ("PURPA") Standard on Time-
27 Based Metering and Communications. The Decision approved, in part, two conditions relevant to the above
28 referenced Application: 1) the modified Federal standard will apply to all electric distribution utilities that are under
ACC jurisdiction regardless of their annual retail sales volumes; and, 2) electric distribution utilities under ACC
jurisdiction are required to investigate the feasibility of implementing time-based advanced metering infrastructures,
and if they are cost effective, implementation of these systems shall begin no later than January 30, 2009 (within 18
months of Commission adoption of the standard).

CONCLUSIONS OF LAW

1. Trico is an Arizona public service corporation within the meaning of Article XV, Section 2, of the Arizona Constitution.

2. The Commission has jurisdiction over Trico and over the subject matter of the application.

3. The Commission having reviewed the application and Staff's Memorandum dated February 27, 2008, concludes that it is in the public interest to freeze the TOU tariff.

4. Approval of the proposed tariff revision does not constitute a rate increase as contemplated by A.R.S. Section 40-250.

ORDER

IT IS THEREFORE ORDERED that Trico Electric Cooperative, Inc.'s Residential Time of Use Schedule RS-1 shall be frozen, and no new customers shall be allowed to use this tariff until further order of the Commission.

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2 IT IS FURTHER ORDERED that within ten days of a decision in this matter, Trico
3 Electric Cooperative, Inc. is required to file with Docket Control as a compliance item in this case,
4 a tariff indicating that Trico's Residential Time of Use Schedule RS-1 is frozen.

5 IT IS FURTHER ORDERED that this Order shall become effective immediately.

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7 **BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION**

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CHAIRMAN


COMMISSIONER

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12 COMMISSIONER


COMMISSIONER


COMMISSIONER

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14 IN WITNESS WHEREOF, I DEAN S. MILLER, Interim
15 Executive Director of the Arizona Corporation Commission,
16 have hereunto, set my hand and caused the official seal of
17 this Commission to be affixed at the Capitol, in the City of
18 Phoenix, this 20th day of March, 2008.

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20 DEAN S. MILLER
Interim Executive Director

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22 DISSENT: _____

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24 DISSENT: _____

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1 SERVICE LIST FOR: Trico Electric Cooperative, Inc.
2 DOCKET NO. E-01461A-08-0075

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